

-NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC's office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

 SPONSOR: Nava DATE TYPED: 02/05/02 HB _____

SHORT TITLE: Public School Capital Outlay Expenses SB 286

ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	\$1,100.0		(\$2,500.0)	Recurring	PSCO Fund
			See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

The appropriation in the 2002 General Appropriation Act for the DCU has been deleted.

Duplicates HB 285

SOURCES OF INFORMATION

Deficiencies Correction Unit (DC Unit)
LFC Files

SUMMARY

Synopsis of Bill

Senate Bill 286 appropriates \$1,100.0 from an existing \$50,000.0 general fund appropriation (Laws 2001, Chapter 338) to the Deficiencies Correction Unit (DCU) for operational expenses in FY03. The bill further amends the Public School Capital Outlay Act (Section 22-24-4 NMSA 1978) to allow up to five percent of all funds appropriated to the Public School Capital Outlay Fund to be used for other management oversight expenses incurred by the DCU.

Significant Issues

The DCU was created by Laws 2001, Chapter 338, pursuant to the Public School Capital Outlay Act (Section 22-24-4.2 NMSA 1978). The DCU was established as part of the Public School Capital Outlay Council (PSCOC) to assist the council in identifying and funding all outstanding deficiencies in public schools and grounds that may adversely affect the health or safety of students and

school personnel no later than June 30, 2004. The Public School Capital Outlay Task Force currently monitors the guidelines, procedures and local reporting requirements adopted by PSCOC for implementing the deficiency correction program.

Senate Bill 286 provides that the \$1,100.0 funding needed for FY03 administrative expenses of DCU be derived from the \$50 million FY02 general fund appropriation to the public school capital outlay fund intended for correcting deficiencies. The FY02 general fund appropriation is contingent upon the secretary of general services and the secretary of finance and administration certifying that the PSCOC has, by rule, adopted a project management system to ensure projects are constructed in a cost-effective and efficient manner. Draft rules that define the procedures, methodology and powers of the DCU have been mailed out to seek public comment. A public hearing is scheduled for February 20, 2002, and the PSCOC is tentatively scheduled to meet to consider adoption of the rules on February 28, 2002.

Senate Bill 286 provides that an additional amount of up to 5 percent of all funds (\$200,000.0) appropriated to the Public School Capital Outlay Fund may be used for project management oversight expenses incurred by DCU. Current law allows the General Services Department to assess a one-and-one-half percent project management fee to projects they administer. DCU currently estimates a range of 150 to 250 school projects be undertaken in FY03 with a value of \$50 million to \$70 million for construction. Based on DCU's estimated scope of work, the maximum allowable 5 percent project management assessment would yield \$2,500.0 to \$3,500.0 for the unit's construction management oversight process. According to DCU, if administrative expenses were fully funded at \$1,100.0, only a one-and-one-half percent construction management fee would be needed for construction oversight expenses. According to DCU, the project management oversight fee of up to 5 percent will allow PSCOC to adjust the percentage to supplement appropriations for the operational costs. DCU projects that the fee percentage will be recovered through cost savings and efficiencies that the direct project oversight of the projects will provide.

The DCU's best staffing estimate to date for construction management and project technicians to handle the requirements of the field process is 18 FTE. DCU plans to use either temporary, term or contract staff to handle the field responsibilities based upon the scope and technical requirements of the specific projects funded and the availability of competent staff.

FISCAL IMPLICATIONS

The general fund appropriation of \$1,100.0 contained in this bill is a recurring expense to the public school capital outlay fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2003 shall revert to the general fund. The bill also provides that an additional amount of up to 5 percent of all funds (\$200,000.0) appropriated to the public school capital outlay fund may be used for project management oversight expenses incurred by DCU. This would yield an additional \$2,500.0 to \$3,500.0 for the DC. Continued funding from the public school capital outlay fund for administrative and oversight purposes will reduce the funds available to correct life-safety and code deficiencies that exist in public school facilities statewide.

DUPLICATION

Duplicates House Bill 285 in its entirety.

OTHER SUBSTANTIVE ISSUES

The Legislature has recognized the significant need for the construction management oversight and accountability to assist local districts to ensure the most efficient and prudent use of the available capital project funding.

DC Unit is currently supported by a \$1,100.0 special general fund appropriation with a staff of 7 FTE. The duties of DCU include: working with local school districts to validate the assessment of outstanding deficiencies and the projected costs to correct substandard conditions; providing direct oversight of the management and construction of the projects that will correct outstanding deficiencies; overseeing all aspects of contracts entered into by PSCOC to correct the existing deficiencies; conducting on-site inspections during construction to assure that the specifications are being met; and requiring the use of standardized construction documents and processes for change orders as defined by the Property Control Division of the General Services Department.

DCU's FY03 operative budget request to LFC was \$1,969.0, including \$1,100.0 for administrative expenses and \$869.0 for field project management oversight. LFC supported DCU's FY03 budget request, but with a different revenue mix: \$150.0 from the general fund, \$150.0 in cash balances and \$1,669.0 derived from a one-and-one-half project management fee assessed on all funds in the public school capital outlay fund for construction oversight. LFC requested that the DCU report to the PSCOC and seek approval for a more definitive staffing plan once the scope of the construction for FY03 is determined, and requested a report from the DCU on the cost-effectiveness of the various staffing approaches for consideration and review in future budget recommendations.

LMK/prr:njw:ar